

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

March 29, 2012

TO: The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.B. 2415, H.D.2, S.D.1 - RELATING TO MEDICAID**

Hearing: Thursday, March 29, 2012; 9:00 a.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of the bill is establish a joint task force to assist the Department of Human Services in the development and implementation of a Medicaid buy-in program for working individuals with disabilities. Requires the Department of Human Services to design and implement a Medicaid buy-in program no later than July 1, 2014.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of the bill but respectfully opposes the bill as the Department has begun work on the design and implementation of the new Medicaid eligibility system which is to be ready by July 1, 2014.

The DHS is open to input from stakeholders but believes that with the implementation of the Affordable Care Act provisions and the health insurance exchange on January 1, 2014, the Medicaid buy-in will not be needed as individuals will be able to purchase insurance. The insurance exchange will allow recipients to select an insurance

plan that they could afford. In addition, if individuals qualify for Medicaid assistance, they will be able to obtain coverage with no premium.

The DHS believes that current staff resources are needed to address the implementation of a number of Affordable Care Act provisions. Staff resources would be diverted to implementing a buy-in program that would be obsolete in 2014.

Thank you for the opportunity to testify on this bill.



HB 2415 HD2 SD 1
Relating to Medicaid
Senate Committee on Ways and Means

March 29, 2012

9:00 a.m.

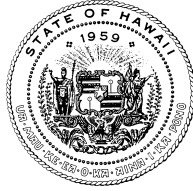
Room 211

The Office of Hawaiian Affairs (OHA) **SUPPORTS HB 2415 HD2 SD1**, which establishes a Legislative Joint Task Force to assist the Department of Human Services in the development and implementation of a Medicaid buy-in program for working individuals with disabilities which shall be submitted for approval to the federal Centers for Medicare and Medicaid Services and requires the Department of Human Services to design and implement a program no later than July 1, 2014.

OHA's strategic plan includes a health priority, which states that to improve the quality and longevity of life, Native Hawaiians will enjoy healthy lifestyles and experience reduced onset and better management of chronic diseases to reduce the risks in declining quality of life. It is our intent that Native Hawaiians live a long and meaningful life.

Planning and designing a buy-in program for working individuals with disabilities approaches health planning in a way that promises that health care reform can be implemented efficiently and mindfully. We have a learning opportunity ahead of us. Demonstrating that we can manage this task prepares us for challenges in developing and implementing affordable healthcare reform for the state. This is a huge task and, while involving stakeholders is smart, managing deadlines and innovative ideas will take great leadership and commitment.

We support and commend the Legislature for taking the lead and therefore, OHA urges the committee to PASS HB 2415, HD2 SD 1. Mahalo for the opportunity to testify on this important measure.



**STATE OF HAWAII
WORKFORCE DEVELOPMENT COUNCIL**

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March 28, 2012

To: Chair David Y. Ige, Vice Chair Michelle N. Kidani, and members of the
Committee on Ways and Means

Date: Thursday, March 29, 2012
Time: 9:00 a.m.
Place: Conference Room 211, State Capitol

From: James P. Hardway, Executive Director

Re: H.B. No. 2415 HD 2 SD 1: Relating to Medicaid

The Workforce Development Council (“WDC”) **strongly supports** the proposed Medicaid Buy-In legislation, also known as “Hire Abilities Hawaii” as a mechanism to increase the employment of Hawaiian Residents with disabilities while reducing publicly funded healthcare costs. **Without the enactment of this Medicaid Buy-in legislation, individuals with disabilities who wish to work will continue receiving their public healthcare benefits without paying taxes from earned income back into the system; however, with this legislation, these individuals who would already be receiving public healthcare benefits if they were not working will also have the opportunity to pay into the system as they become valuable, contributing members of Hawaii’s workforce.**

The WDC is an attached agency to the DLIR and is responsible for advising the Governor and Legislature on workforce development to support economic development and employment opportunities for all. The WDC is also the State Workforce Investment Board for purposes of the federal Workforce Investment Act (“WIA”) of 1998. The WDC assists the Governor in developing and updating comprehensive five-year strategic workforce investment plans and oversees workforce (public) investment activities in the state.

The WDC recognizes the employment barriers for Hawaiian residents with disabilities are acute. Some common barriers include: health issues that must be consistently managed, fear of loss of welfare benefits (both income and healthcare related), and a lack of supports to provide individuals with a clear pathway to employment. These barriers and many others have contributed to a disproportionate 5% employment rate of non-institutionalized Hawaiian residents with disabilities as compared to 11% of those without disabilities.¹ The WDC recognizes this

¹ U.S. Census 2010 and Erickson, W. Lee, C., & von Schrader, S. (2009). 2008 Disability Status Report: the United States. Ithaca, NY: Cornell University. Rehabilitation Research and Training

statistic as unacceptable, and that individuals with disabilities are a valuable, highly untapped asset to Hawaii's workforce. **Especially with Hawaii's aging population quickly reaching retirement age, Hawaii must do everything possible to support the employment of current Hawaiian residents in the labor force with barriers to employment.** This legislation and related initiatives must be supported to fill workforce gaps and reduce healthcare related barriers to employment for Hawaiian residents with disabilities who want to work.

With this in mind, in June of 2011, the Workforce Development Council in behalf of Hawaii's Department of Labor and Industrial Relations (DLIR) submitted an application for the Disability Employment Initiative (DEI), a three year grant-funded intervention, to the US Department of Labor's Office of Disability Employment Policy (ODEP) office. In September of 2011, Hawaii became one of seven selected states and was awarded \$2.9 million over three years for this intervention aimed at enhancing the public workforce system to improve training, education, and employment outcomes for individuals with disabilities. **The Medicaid Buy-In legislation directly correlates with the main goal of Hawaii's Disability Employment Initiative to increase employment outcomes for individuals with disabilities.** Hawaii's DEI has identified the lack of a Medicaid Buy-In opportunity in the state as a major barrier to the employment of DEI participants with disabilities, especially those who are only able to work 19 hours a week or less, and therefore may not qualify for employer sponsored health benefits.

Without this legislation, a number of Hawaiian residents with disabilities who are currently receiving Medicare and Medicaid could lose their healthcare benefits should they begin working. This causes a fear that often leads to individuals with disabilities who want to work avoiding joining the workforce in order to maintain their health. Many also fear that if they begin working and lose their medical benefits, their health will deteriorate beyond their ability to work, leading to job loss.

As of 2011, 44 states were operating a Medicaid Buy-In program to extend Medicaid coverage to working people with disabilities.² These states continue to develop their Medicaid Buy-In programs, yet **Hawaii is one of only five states not yet implementing similar legislation despite the positive employment outcomes it has supported for people with disabilities in other states.** In the midst of an economic recession, about 67% of all Buy-In participants (nationwide) were employed (as measured by having positive earnings) in 2009.³ This shows a substantial increase compared with the national 2009 rate of employed people with disabilities of only 39.5%.⁴

With Hawaii's high cost of living, it is especially infeasible for those individuals with disabilities who want to work to afford to continue working without a program like the

² Medicaid Infrastructure Grant Research Assistance to States. *2011 MIG and Buy-In States Map*. <http://www.mig-rats.org/Home.aspx>. Retrieved 1/31/12.

³ Kehn, Matthew, Croake, Sarah, and Schimmel, Jody. Mathematica Policy Research. A Government Performance and Results (GPRA) Report: The Status of the Medicaid Infrastructure Grants Program as of 12/31/09. Final Report. December 30, 2010.

⁴ U.S. Census 2010 and Erickson, W. Lee, C., & von Schrader, S. (2009). 2008 Disability Status Report: the United States. Ithaca, NY: Cornell University. Rehabilitation Research and Training Center on Disability Demographics and Statistics.

Medicaid Buy-In, which would allow these individuals with high medical costs to earn enough income to both pay their share of medical expenses and live independently. A common argument against this bill is that it allows individuals with disabilities who are earning up to 400% of the federal poverty level to purchase Medicaid, whereas individuals without disabilities are only allowed to qualify for Medicaid if their income does not exceed 100% of the federal poverty level. While this may appear as a discrepancy, most individuals with disabilities inherently have higher healthcare costs. Since many jobs do not provide sufficient insurance to cover excessive healthcare costs, individuals with disabilities who choose to work may not be able to afford their healthcare costs without Medicaid, and therefore would be forced to quit their jobs to again qualify to receive Medicaid. Furthermore, while DHS offers current allowances for individuals with disabilities earning up to 200% of the federal poverty level, this is not adequate enough to meet the needs of many individuals with disabilities. In Hawaii, the 2011 guideline for a single individual at 200% FPL was \$25,080.⁵ Hawaii's high cost of living, and especially cost of housing, would most likely prevent an individual earning a maximum of this annual salary from living independently. In 2007, the Honolulu Advertiser published an article stating that the median price of a home was four times the amount of Hawaii's median income, and that it would take approximately 4.5 annual median wage teacher salaries to purchase a home in Hawaii.⁶

Nationally, the buy-in states have demonstrated a significant cost savings in Medicaid utilization for those using the Medicaid Buy-in. Specifically, research has shown that Buy-In participants nationally are less expensive than other adult disabled Medicaid enrollees. For example, in Utah the odds of having any health care expenditure was 19.7% lower for the buy-in group. Among those who did have health expenditures, buy-in recipients had 57% lower Medicaid expenditures compared to people with disabilities who did not use the buy-in, and buy-in recipients of MWI were less likely to be receiving SSI, GF, and Food Stamps. As a second example, the buy-in has saved 25%-30% in per member per month expenditures in Minnesota.

Hawaii's current laws inadvertently inhibit high risk individuals with disabilities from working, especially those with mental or other health issues whose ability to work would deteriorate without constant access to necessary medications and therapy. While many of these individuals are currently receiving Medicare or Medicaid along with their Social Security Income or Social Security Disability Insurance benefits, these individuals could leverage Hawaii's DEI and other programs like the Social Security Administration's Ticket to Work program, to gain employment and buy into Medicaid to cover their basic healthcare costs which would normally act as a barrier to their employment. By encouraging collaboration between state agencies alongside the braiding and leveraging of funds, initiatives like the DEI and Medicaid Buy-In can offer necessary supports to put people with disabilities to work.

If this law is *not* enacted, many Hawaiian residents with disabilities will have no hope for working without losing necessary health benefits, and will continue receiving public assistance funds and depleting the welfare system; however, if this law *is* enacted, many individuals with disabilities will be empowered to gain self sufficient employment,

⁵ State of Hawaii Department of Humans Services. 2011 Federal Poverty Guidelines- Hawaii Only. <http://hawaii.gov/dhs/quicklinks/2011%20FEDERAL%20POVERTY%20GUIDELINES.pdf>. Retrieved 1/31/12.

⁶ www.hawaii.uli.org. Honolulu Advertiser. Retrieved August 2007.

enabling them to pay taxes and put money into a Medicaid insurance premium, which will be a cost savings to the State and help replenish Medicaid funds that otherwise would be spent regardless of this law's enactment.

Overall, the state's Workforce Development Council supports this legislation as a mechanism to increase the state's skilled workforce, provide a cost savings to the state's public welfare system, and improve employment outcomes for Hawaiian residents with disabilities.

Thank you for this time to provide testimony for H.B. No. 2415: Relating to Medicaid.

From: [Louis Erteschik](#)
To: [WAM Testimony](#)
Subject: HB2415, HD2,SD1
Date: Tuesday, March 27, 2012 9:06:28 PM

The Hawaii Disability Rights Center supports this version which contains provisions for the implementation of the Medicaid Buy In.

Louis Erteschik
Executive Director

From: [Susan Miller](#)
To: [WAM Testimony](#)
Subject: RELATED TO Deisgn and Implementation of MEDICAID BUY-IN
Date: Wednesday, March 28, 2012 8:11:33 AM

March 28, 2012

[TO:](#)

[COMMITTEE ON WAYS AND MEANS](#)

Senator David Y. Ige, Chair
Senator Michelle N. Kidani, Vice Chair

FROM SUSAN MILLER, University of Hawaii Center on Disability Studies

I respectfully recommend and support the passage of HB 2415 relating to the Creation and Implementation of a Medicaid Buy-In in the State of Hawaii.

There is no Question, Hawaii needs a Buy-in to encourage and allow a population of people with disabilities to go work.

Hawaii committed to a Medicaid Buy in in 2005. For seven years, UH conducted on behalf of the the State of Hawaii and CMS, research and development address the policy changes needed for such a buy-in for people with disabilities to return to work and youth with disabilities on SSA to plan a future that increases full employment. A BUY-IN will allow both to happen.

A Medicaid Buy-in Implementation task force is needed to assist the state DHS and companion agencies to work out the logistics of such an important tool.

I enthusiastically urge the State Legislature to allow such a committee to be convened to complete he fine work that the University of Hawaii Center on Disability Studies carried out on behalf of the state government and people with disabilities in Hawaii nei.

The Medicaid buy-in research and development as been done. the design and implementation is the logical next step.

I urge the legislature to pass this bill to requires the department of human services to design and implement a medicaid buy-in program for working individuals with disabilities no later than 7/1/2014.

WILLIAM M. MIHALKE

HB 2415 - RELATING TO MEDICAID

Aloha Chair Ige, Vice Chair Kidani and members of the Senate Committee on Ways and Means:

I strongly support HB 2415 HD 2 SD 1.

Current state programs and policies create disincentives for persons with disabilities to become employed, to maintain employment, or to further their employment goals.

Nationally, research has shown the following:

- A Medicaid Buy-In in can generate substantial fiscal benefits from co-pays and taxes paid.
- Forty-five other states have approved Medicaid Buy-Ins.
- 70% of those enrolling in Medicaid Buy-Ins are already Medicaid recipients, who are now sitting at home and not working.
- Employed Medicaid recipients are 40% less costly than those who do not work.

I recommend that you remove the following language from SECTION 2 (d) on page 4 of the bill:

“based on Hawaii’s current medicaid income and asset limits”

A Medicaid Buy-In by definition requires an increase in the income and asset limits, and this language may frustrate the legislative intent of the bill.

I strongly urge your support for HB 2415 HD 2 SD 1, as it is a win-win for the State of Hawai‘i and for people with disabilities. Please do not let Hawai‘i become the last state in our nation without a Medicaid Buy-In.

Thank you for this opportunity to provide testimony.

Sincerely,

